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SUNac 融創中國
SUNAC CHINA HOLDINGS LIMITED
融創中國控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01918)

DISCLOSEABLE TRANSACTION

Shijiazhuang Central Business District Project (i.e. the Target Project) is a project held by the Target Company. As at the date of this announcement, the Target Company was held as to 80% by the Sunac Party (a wholly-owned subsidiary of the Company) and 20% by the Cooperation Partner. On 18 March 2024, in order to resolve the issue of capital investment for the subsequent development and construction of the Target Project, the Sunac Party, the Cooperation Partner and the Target Company entered into the Agreement, pursuant to which, the Cooperation Partner agreed to take up 80% equity interest in the Target Company at the Consideration of approximately RMB814 million. Approximately RMB148 million of the Consideration will be offset by the Group's debts owed to the Cooperation Partner, and the remaining approximately RMB666 million (subject to adjustments) will be settled in cash by the Cooperation Partner. Such cash consideration will be utilised by the Group mainly for constructing and guaranteeing the delivery of properties in Shijiazhuang.

As the Target Company is a joint venture of the Company, its results are accounted for in the Group's consolidated financial statements under the equity method. Immediately following completion of the Disposal, the Group will cease to own any equity interest in the Target Company and the Target Company will cease to be a joint venture of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is 5% or more but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

1. THE DISPOSAL

On 18 March 2024, the Sunac Party, the Cooperation Partner and the Target Company entered into the Agreement, pursuant to which, the Cooperation Partner agreed to take up 80% equity interest in the Target Company at the Consideration of RMB814,210,700 (subject to adjustments).

The Consideration shall be settled in the following manner:

- (i) the Target Company shall agree to transfer the debt owed by the Sunac Party to the Target Company in the amount of RMB148,024,666.67 to the Cooperation Partner, resulting in the debt being owed by the Sunac Party to the Cooperation Partner in the amount of RMB148,024,666.67;
- (ii) RMB148,024,666.67 out of the Consideration shall be settled by offsetting the aforementioned debt in the same amount owed by the Sunac Party to the Cooperation Partner, after which the Consideration payable by the Cooperation Partner to the Sunac Party shall be RMB666,186,033.33; and
- (iii) the Cooperation Partner shall complete the payment of the Consideration of RMB666,186,033.33 in phases within 30 days after the lifting of the restrictions on the land use rights mortgage and seizure rights of the Target Parcel and the determination of the amount payable to the original construction general contractor by the Target Company.

The cash Consideration for the Disposal of approximately RMB666 million (subject to adjustments as described in the “Adjustments to Consideration” below) will be utilised by the Group mainly for constructing and guaranteeing the delivery of properties in Shijiazhuang.

The Consideration was determined after arm’s length negotiations between the seller and the purchaser, with reference to the appraised value of 80% equity interest in the Target Company by an independent qualified valuer, the financial position of the Target Company as at 31 December 2023, the developed status, the undeveloped parcel area and the future sales value of the Target Parcel, etc.

According to the valuation report prepared by an independent professional valuer using the asset-based method, the valuation of 80% equity interest in the Target Company as at 31 December 2023 is RMB814,210,740. The asset-based method refers to a valuation method that uses the balance sheet of the valuation object on the base date as the basis to evaluate the value of various assets and liabilities on the balance sheet and various identifiable off-balance sheet assets and liabilities and determine their value. The asset-based method has been applied, because the valuation object has complete accounting record information, and all assets and liabilities on and off the balance sheet can be identified and can be separately assessed based on appropriate valuation methods. The valuation is supported by customary valuation assumptions, such as open market assumptions and going concern assumptions.

Upon the signing of the Agreement, the Sunac Party shall transfer the management rights of the Target Company to the Cooperation Partner as stipulated in the Agreement within 30 days after the Cooperation Partner pays the first tranche of the Consideration (RMB150 million) to the Sunac Party. The Sunac Party shall transfer 80% equity interest in the Target Company held by it to the Cooperation Partner within 30 days after the Cooperation Partner settles the Consideration in full to the Sunac Party. After the equity change registration procedures are completed, the Sunac Party will cease to hold any equity in the Target Company.

Adjustments to Consideration

According to the Agreement, the Consideration may be adjusted if the following circumstances occur:

- (1) If the land use rights of the Target Parcel are judicially disposed of and the final transaction price is lower than the court-entrusted appraisal value, the transaction difference that will reduce the Target Company's net profit after taxation shall be reduced by an equal amount from the Consideration to be paid by the Cooperation Partner to the Sunac Party. If the final transaction price is higher than the court-entrusted appraisal value, the premium that will increase the Target Company's net profit after taxation shall be distributed between the Sunac Party and the Cooperation Partner in proportion to their shareholdings, and the Consideration to be paid by the Cooperation Partner to the Sunac Party shall be increased accordingly.
- (2) If the actual payment amount of the Target Company to the original construction general contractor for the Target Project exceeds the amount of payables stipulated in the Agreement, the excess amount that results in a decrease in the Target Company's net profit after taxation shall be shared by the Sunac Party and the Cooperation Partner in accordance with their shareholding ratios. If such actual payment amount is lower than the amount of payables stipulated in the Agreement, the difference amount that results in an increase in the Target Company's net profit after taxation shall be distributed between the Sunac Party and the Cooperation Partner in proportion to their shareholdings, and the Consideration to be paid by the Cooperation Partner to the Sunac Party shall be increased accordingly.

The Directors do not consider that any adjustments to the Consideration would result in the transaction contemplated under the Agreement falling under a higher classification pursuant to Rule 14.06 of the Listing Rules. The Company will comply with any additional requirements under Chapter 14 of the Listing Rules should the Consideration be adjusted such that the transaction contemplated under the Agreement would fall under a higher classification pursuant to Rule 14.06 of the Listing Rules.

2. FINANCIAL EFFECT OF THE DISPOSAL

As the Target Company is a joint venture of the Company, its results are accounted for in the Group's consolidated financial statements under the equity method. Immediately following the completion of the Disposal, the Group will cease to own any equity interest in the Target Company and the Target Company will cease to be a joint venture of the Company.

The Group expects to record an unaudited gain before taxation of approximately RMB6.06 million on the Disposal, which is calculated with reference to the difference between the Consideration and the book value of the long-term equity investment of 80% equity interest in the Target Company as at 31 December 2023. The actual amount of gain on the Disposal is subject to review by the auditors of the Company.

3. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Project is located in Xinhua District, Shijiazhuang City, Hebei Province, the PRC, with a total planned construction area of approximately 486,000 square meters, mainly including residential, commercial and office buildings. Among them, the construction area of the salable properties is approximately 398,000 square meters (accounting for 82% of the total construction area), the sold area of the salable properties is approximately 264,000 square meters, and the rest is under development and construction.

The Directors are of the view that there are still some plots of land in the Target Project that have not yet been completed for construction and the Disposal will be conducive to resolving the issue of capital investment for the subsequent development and construction of the Target Project, so as to promote the resumption of the normal development and construction of the project, and revitalize the high-quality assets.

The Directors (including the independent non-executive Directors) consider that the Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and its stakeholders as a whole.

4. INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and has a registered capital of RMB1 billion. The Target Company holds the Target Parcel with a total planned construction area of approximately 486,000 square meters in Shijiazhuang City, Hebei Province, the PRC and is principally engaged in the development and construction of the Target Parcel. Prior to completion of the Disposal, the Target Company is held as to 80% by the Sunac Party and 20% by the Cooperation Partner.

The unaudited consolidated net asset of the Target Company as at 31 December 2023 amounted to approximately RMB1.036 billion and the unaudited profits/losses of the Target Company for the two years ended 31 December 2023 are as follows:

	For the year ended 31 December 2023 (RMB0'000)	For the year ended 31 December 2022 (RMB0'000)
Profits(losses) before taxation	9,145	(796)
Profits(losses) after taxation	6,855	(601)

5. INFORMATION ON THE COMPANY AND THE GROUP

The Company is an investment holding company and operates its business via its subsidiaries. With the brand philosophy of “passion for perfection”, the Group is committed to providing wonderful living environment and services for Chinese families through high-quality products and services and the integration of high-quality resources. With a focus on its core business of real estate, the Group implements its strategic layout in real estate development, property management, ice & snow operation management, cultural tourism, culture and other business segments. After more than 20 years of development, the Group has become a leading enterprise in China’s real estate industry, a leading ice & snow industry operator and a leading cultural tourism industry operator and property owner in China, with nationwide leading capabilities in comprehensive urban development and integrated industrial operation.

6. IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is 5% or more but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

7. INFORMATION ON THE PARTIES TO THE DISPOSAL

The Sunac Party is principally engaged in real estate development. As at the date of this announcement, the Sunac Party is indirectly wholly-owned by the Company.

The Cooperation Partner is mainly engaged in municipal facilities management and land consolidation services. The Cooperation Partner is 100% owned by the Shijiazhuang Municipal People’s Government State-owned Assets Supervision and Administration Commission (“**Shijiazhuang State-owned Assets Supervision and Administration Commission**”). To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Cooperation Partner and Shijiazhuang State-owned Assets Supervision and Administration Commission are third parties independent of the Company and its connected persons.

The Target Company is principally engaged in real estate development. As at the date of this announcement, the Target Company is held as to 80% by the Sunac Party and 20% by the Cooperation Partner.

8. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreement”	the agreement dated 18 March 2024 entered into among the Sunac Party, the Cooperation Partner and the Target Company in relation to the Disposal, as supplemented and amended from time to time
“Board”	the board of Directors
“Company”	Sunac China Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01918)
“Consideration”	the total consideration for the Disposal
“Cooperation Partner”	Shijiazhuang Zhengtai Construction Development Co., Ltd.* (石家莊正太建設發展有限公司), a company incorporated in the PRC with limited liability
“Directors”	the director(s) of the Company
“Disposal”	the Cooperation Partner taking up 80% equity interest in the Target Company from the Sunac Party in accordance with the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunac Party”	Shijiazhuang Heya Real Estate Development Co., Ltd.* (石家莊和雅房地產開發有限公司), a company established in the PRC with limited liability

“Target Company”	Shijiazhuang Central Business District Development Co., Ltd.* (石家莊市中央商務區開發有限公司), a company established in the PRC with limited liability
“Target Parcel”	the parcel located in Shijiazhuang, Hebei Province, the PRC held by the Target Company
“Target Project”	the real estate development project (including residential, commercial, office buildings, etc.) of the Target Company on the Target Parcel
“%”	per cent

By order of the Board
Sunac China Holdings Limited
SUN Hongbin
Chairman

Hong Kong, 18 March 2024

As at the date of this announcement, the executive Directors of the Company are Mr. SUN Hongbin, Mr. WANG Mengde, Mr. JING Hong, Mr. TIAN Qiang, Mr. HUANG Shuping and Mr. SUN Kevin Zheyi; the non-executive Director of the Company is Mr. LAM Wai Hon; and the independent non-executive Directors of the Company are Mr. POON Chiu Kwok, Mr. ZHU Jia, Mr. MA Lishan and Mr. YUAN Zhigang.

* *For identification purposes only*